

**Recommendation to Open Proceedings to Consider Implementation of PUPRA Standards**

**July 17, 2006**

Introduction and Summary

The Energy Policy Act of 2005 ("EPAAct 2005") was passed by the U.S. Congress and enacted into law on August 8, 2005. Among many other things, EPAAct 2005 adds five new standards to Public Utilities Regulatory Policies Act of 1978 ("PURPA") section 111(d) that state commissions and electric utilities must consider implementing pursuant to the schedules listed in the new legislation. Consideration of two of the new standards – (14) "Smart Metering" and (15) "Interconnection" – must begin by August 8, 2006. Staff recommends that the Commission open proceedings to begin consideration of these two standards by that date.

Title I of PURPA applies to electric utilities that have annual retail sales exceeding 500 million kWh. There are five electric utilities in Illinois that annually exceed that threshold amount of retail sales. The five electric utilities are the following: AmerenCILCO, AmerenCIPS, AmerenIP, Commonwealth Edison Company, and MidAmerican Energy Company. Staff recommends that these five electric utilities be made parties to the proceedings.

Discussion

PURPA, as enacted in 1978, contained six federal standards: (Standards (1) – (6)). Four additional standards were added when PUPRA was amended by the Energy Policy Act of 1992 (Standards (7) – (10)). EPAAct 2005 added five new Standards: (Standards (11) – (15)).

PURPA section 111(b) lists the procedural requirements for consideration of the Standards. Public notice of the Commission's consideration of the standards must be given and hearings must be conducted. Each determination must be made in writing, based on evidence presented in the hearing and presented to the public. Consideration of each of the new standards must begin by a date that is specified in the amended sections of PURPA. These sections also specify the dates by which the Commission must make a determination as to whether to adopt the Standards. The deadlines are shown in the following table.

**Table: Timetable for PURPA Investigations**

<b>PURPA Standard</b>	<b>Must Begin Consideration By</b>	<b>Must Make Determination By</b>
Smart Metering	August 8, 2006	August 8, 2007
Interconnection	August 8, 2006	August 8, 2007
Net Metering	August 8, 2007	August 8, 2008
Fuel Diversity	August 8, 2007	August 8, 2008
Fossil Fuel Generation Efficiency	August 8, 2007	August 8, 2008

The five new Standards and the deadlines for consideration of the Standards are discussed below.

1. Net Metering, Fuel Diversity and Fossil Fuel Generation Efficiency; Section 1251(a) of EPCRA – sections 111(d)(11), (12), and (13) of PURPA

The Commission must begin consideration of these three new PURPA standards (11) - (13) or set a hearing date for consideration of the standards by **August 8, 2007**. The Commission must complete its consideration of the standards or make a determination as to whether to adopt the standards by **August 8, 2008**.

2. Time-based Metering and Communications - Section 1252 of EPCRA – section 111(d)(14) of PURPA

Standard (14) requires each electric utility to offer each of its customers a time-based rate schedule (e.g., time-of-use rates, critical peak pricing rates, real-time pricing rates, and capacity credits for large customers) within 18 months of the effective date of the legislation (that is, by February 8, 2007). Electric utilities must also provide each customer requesting a time-based rate with a time-based meter.

Additionally, the Commission must conduct an investigation and issue a decision whether it is appropriate to implement the directives stated above (i.e., requiring utilities to offer time-based rates, providing customers with time-based meters, and/or providing capacity credits for large customers).

When making a determination about (14), the Commission must conduct an investigation and issue a decision as to whether it is appropriate for each electric utility to provide and install time-based meters and communication devices for each of its customers. The Commission must make a determination whether implementation of the standard would be cost-effective; that is, to compare the long-benefits of implementation relative to metering costs and other costs.

Section 1252(a) states that the electric utilities and the Commission have only 18 months to make these determinations. The 18 month deadline appears to conflict with Section 1252(g), which appears to state that the Commission should open the investigation within one year, and complete it within two years (August 8, 2007). Staff recommends that the Commission open its investigation of Time-based Metering and Communication by **August 8, 2006** and complete its consideration by **August 8, 2007**.

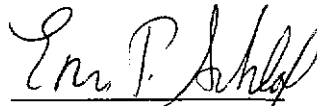
3. Interconnection - Section 1254 of EPAct - section 111(d)(15) of PURPA

Each electric utility must make interconnection services available upon request to any electric customer requesting the service. The Commission must open the investigation by August 8, 2006 and make a determination on the new standard by August 8, 2007.

Conclusion


Staff recommends that the Commission open proceedings by August 8, 2006, to consider whether to implement two of the five Federal Standards that were added to the Public Utilities Regulatory Policies Act when the Energy Policy Act of 2005 was signed into law on August 8, 2005. These two standards are the following: Time-based Metering and Communications (Section 1252 of EPAct – section 111(d)(14) of PURPA) and Interconnection (Section 1254 of EPAct - section 111(d)(15) of PURPA) respectively.

Prepared by,

  
Eric Schlaf  
Energy Division

7/20/06  
Date

Reviewed by,

  
Harold Stoller, Director  
Energy Division

7-20-06  
Date